



TRADE POLICY REVIEW

REPORT BY

SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU

Pursuant to the Agreement Establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), the policy statement by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is attached.

Note: This report is subject to restricted circulation and press embargo until the end of the first session of the meeting of the Trade Policy Review Body on the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

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1 THE SEPARATE CUSTOMS TERRITORY OF TAIWAN, PENGHU, KINMEN AND MATSU IN THE WORLD TRADING SYSTEM

1.1. As an export-oriented economy and the 18th largest trading economy in the world, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu remains a firm supporter of the multilateral trade regime. Since its last review in 2010, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has continued with the policy of promoting open, liberalized trade and investment regimes as a basis for economic growth. The 2008-09 global financial crisis had serious repercussions on the economy of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, with negative growth rates recorded for almost all major economic performance indicators in 2009. Nonetheless, under the benefits of the multilateral trading system and taking advantage of the flexibility of the numerous small and medium enterprises as the economic backbone, strong recovery has been observed from 2010 onwards. Export growth remained positive even in 2013 when global demand was significantly weakened by the Eurozone sovereign debt crises.

1.2. During the period under review, while the global economy encountered a considerable number of challenges and difficulties, the multilateral trade regime continued to provide valuable impetus and policy tools to address many of them, thus contributing to gradual recovery across the world. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu continued to consider the World Trade Organization (WTO) multilateral trading system as the primary platform for global trade liberalization. During the review period, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has not only actively participated in the regular work of the WTO but also in the on-going efforts to renew the Doha Development Agenda (DDA) negotiations. In particular, we participated constructively in the negotiations leading to the successful conclusion of the Agreement on Trade Facilitation (TFA) as part of the Bali Package. In addition to efforts associated with the DDA negotiations, we have also been active in negotiations on the Agreement on Government Procurement (GPA), the expansion of the Information Technology Agreement (ITA), the plurilateral Trade in Services Agreement (TISA) and the liberalization of trade in environmental goods. With respect to Aid-for-Trade initiatives, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has also positively contributed financial and other forms of assistance, especially to Latin American Members and provided duty-free access for nearly 98% of the total value of goods imported into our territory from least developed country (LDC) Members. The report of the only Dispute Settlement case (DS 377; as the complainant) brought by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu during the period under review, concerning the implementation of the ITA, was adopted in 2010.

1.3. As one of the leaders in global trade in information and communication technology (ICT), the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is firmly committed to converting the digital divide into digital opportunity. In response to the Asia-Pacific Economic Cooperation (APEC) Economic Leaders' decision in this regard, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has initiated the APEC Digital Opportunity Center (ADOC) project to facilitate access to such technology by disadvantaged groups within the APEC region. Since the inception of this program, the aim of the ADOC has been to create an inclusive, sustainable and balanced environment for growth. To date, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has helped to establish 101 ADOC centers in 10 participating economies, trained over 620,000 trainees, and donated over 2,800 sets of computers, while also continuing to offer standardized training materials, producers' training programs, and equipment maintenance programs to participating partners.

1.4. At the same time, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu also actively participated in the bilateral and regional economic integration process during the review period to promote further liberalization. Two comprehensive economic cooperation agreements (ECAs) were concluded with New Zealand and Singapore in 2013, and a framework agreement and a trade in services agreement were concluded with China in 2010 and 2013, respectively. Major domestic reform initiatives also took place in the last four years that support a sound and robust policy environment.

2 TRADE AND ECONOMIC DEVELOPMENTS

2.1 Recovery from the global financial crisis

2.1. Similar to many of its Asian counterparts, the economic situation in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu was seriously affected by the global financial crisis that peaked in 2009. As indicated in Table 1, negative growth rates for all major economic indicators were recorded in that year. However, economic performance has significantly rebounded since 2010, with a remarkable 11% growth rate in real GDP and a 23% growth rate in gross fixed capital formation recorded that same year.

2.2. Many reasons contributed to this quick recovery. First and foremost, the resurgence of demand in the major markets around the world provided a critical driving force for exports. Second, the robust economic and trade structure in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, characterized by numerous small and medium enterprises, enabled the economy to adjust to the crisis with flexibility. Meanwhile, the government also responded to the crisis with policy initiatives in a timely manner that reduced the overall impact.

2.3. In this review period, the impact of the EU debt crisis led to a decline in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's domestic investment and capital formation in 2011 and 2012. The government took firm and steady steps in addressing this situation, which resulted in targeted and positive growth in 2013. Nevertheless, the government remains cautious as the resurgence of markets around the world is still tempered by many uncertainties and potentially turbulent developments. Consequently, enhancing the overall efficiency of our economy and strengthening competitiveness through domestic reforms remain the top and immediate policy priorities for the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

Table 1: Key Economic Indicators, 2009-2013

Indicator	2009	2010	2011	2012	2013
Gross Domestic Product					
At current prices (NT\$ million)	12,481,093	13,552,099	13,709,074	14,077,099	14,560,560
Annual change (%)	-1.10	8.58	1.16	2.68	3.43
At 2006 constant prices (NT\$ million)	12,834,049	14,215,069	14,810,742	15,029,859	15,343,607
Annual change (%)	-1.81	10.76	4.19	1.48	2.09
Per capita GNP (US\$)	16,901	19,090	20,625	21,082	21,558
Gross Fixed Capital Formation					
At current prices (NT\$ million)	2,353,579	2,888,204	2,865,969	2,772,387	2,814,776
Annual change (%)	-11.72	22.72	-0.77	-3.27	1.53
Inflation Rate (CPI change, %) 2011=100	-0.86	0.96	1.42	1.93	0.79

Note: Data have been updated according to the benchmark revisions of the National Accounts released on November 26, 2009.

Source: Directorate-General of Budget, Accounting and Statistics (based on UN 93SNA).

2.4. In terms of economic structure, the services sector remains the most important economic sector in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, accounting for 68.3 % of the GDP in 2013 and providing approximately 58.9% of employment. It was followed by the manufacturing sector that contributed around 24.9% of the GDP in 2013; agriculture's share of the GDP was around 1.7% in 2013.

2.2 Development of external trade

2.5. Trade experienced a similar performance to that of our overall economy during the period under review. Both exports and imports recovered from the 2009 downturn with strong increases of 34.8% in exports and 44.1% in imports in 2010. Trade remained strong in 2011, again

achieving double-digit annual growth rates. Since 2012, however, the downturn of global demand has been the main reason for the sluggish growth of exports with a growth of -2.3% recorded for 2012, followed by a modest rebound of 1.4 percent in 2013. It is noteworthy that despite the fluctuations in our trade performance, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has been able to maintain a trade surplus throughout the period under review.

2.6. The major trading partners of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu include China, Japan, the United States, Hong Kong (China), South Korea, the European Union (EU) and countries in the Association of Southeast Asian Nations (ASEAN) region. This group of countries and/or economies accounts for around 85% of Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's total trade. The remaining share of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's international trade is with the West Asian region and Australia for energy-related trade.

Table 2: Trade Statistics, 2009-2013

(Unit: US\$100 million)

Year	Export Value	Growth Rate (%)	Import Values	Growth Rate (%)	Trade Balance
2009	2,036.7	-20.3	1,743.7	-27.5	293.0
2010	2,746.0	34.8	2,512.4	44.1	233.6
2011	3,082.6	12.3	2,814.4	12	268.2
2012	3,011.8	-2.3	2,704.7	-3.9	307.1
2013	3,054.4	1.4	2,699.0	-0.2	355.4

Note: Calculations are based on International Merchandise Trade Statistics: Compilers Manual, UNSD. The amounts of re-exports and re-imports are included.

Source: Customs Administration, Ministry of Finance.

2.7. Key products exported by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu in 2013 included electrical and electronic equipment, machinery, and mineral fuels and mineral oil, which together comprised more than 50% of the total value, followed by optical instruments and accessories, plastic products, organic chemical products, and iron and steel. Imports included a largely similar group of products, with mineral fuels and mineral oil, electrical and electronic equipment, and machinery products as the primary items, together comprising over 50% of the total value, followed by organic chemicals, optical instruments and accessories, and iron and steel.

Table 3: Key export and import products of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, 2010-2013

(Unit: US\$ million, % of total trade value)

	Exports					Imports			
	2010	2011	2012	2013		2010	2011	2012	2013
Electrical and electronic equipment	103,341 (37.6%)	112,546 (36.5%)	109,034 (36.2%)	114,276 (37.4%)	Mineral fuels, mineral oils, etc.	51,504 (20.5%)	63,063 (22.4%)	69,949 (25.9%)	68,816 (25.5%)
Machinery	27,936 (10.2%)	31,762 (10.3%)	29,839 (9.9%)	29,518 (9.7%)	Electrical and electronic equipment	54,802 (21.8%)	59,085 (21.0%)	54,708 (20.2%)	54,587 (20.2%)
Mineral fuels, mineral oils, etc.	14,398 (5.2%)	17,437 (5.7%)	21,608 (7.2%)	23,173 (7.6%)	Machinery	31,721 (12.6%)	29,959 (10.6%)	26,595 (9.8%)	28,592 (10.6%)

	Exports					Imports			
	2010	2011	2012	2013		2010	2011	2012	2013
Optical instruments and accessories	23,319 (8.5%)	23,556 (7.6%)	23,001 (7.6%)	22,265 (7.3%)	Organic chemicals	10,675 (4.2%)	13,598 (4.8%)	11,723 (4.3%)	11,766 (4.4%)
Plastics	19,652 (7.2%)	21,943 (7.1%)	21,064 (7.0%)	21,958 (7.2%)	Optical instruments and accessories	10,414 (4.1%)	10,688 (3.8%)	9,992 (3.7%)	10,365 (3.8%)
Organic chemicals	11,241 (4.1%)	13,329 (4.3%)	11,793 (3.9%)	12,099 (4.0%)	Iron and steel	11,221 (4.5%)	12,809 (4.6%)	10,847 (4.0%)	9,891 (3.7%)
Iron and steel	10,069 (3.7%)	11,761 (3.8%)	10,357 (3.4%)	10,111 (3.3%)	Plastics	7,315 (2.9%)	8,240 (2.9%)	7,903 (2.9%)	7,458 (2.8%)
Vehicles, not railway	7,879 (2.9%)	9,019 (2.9%)	9,790 (3.3%)	9,799 (3.2%)	Misc. chemical products	7,496 (3.0%)	7,866 (2.8%)	6,577 (2.4%)	7,015 (2.6%)
Iron/steel products	6,308 (2.3%)	7,531 (2.4%)	7,353 (2.4%)	7,250 (2.4%)	Vehicles, not railway	4,727 (1.9%)	6,079 (2.2%)	5,944 (2.2%)	6,237 (2.3%)
Copper and articles thereof	3,858 (1.4%)	4,108 (1.3%)	3,744 (1.2%)	3,728 (1.2%)	Copper and articles thereof	6,053 (2.4%)	6,491 (2.2%)	5,640 (2.3%)	5,389 (2.0%)

Source: Customs Administration, Ministry of Finance.

2.3 Development of foreign investment

2.8. Outbound foreign direct investment (FDI) from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu continued to grow at a steady year-by-year pace from 2010 to 2012. However, as the global economy was recovering at a slower-than-expected rate, a sharp drop of 4.6 billion U.S. dollars was recorded in 2013, representing a 30.96% reduction from 2012. Similarly, inbound investment also decreased to 0.6 billion U.S. dollars in 2013, a 10.32% reduction from the previous year.

2.9. As for industrial distribution of inbound FDI, the services sector was the major beneficiary, attracting around 25.9 % of inbound FDI, with the majority going to the financial and insurance industries in 2013, followed by the electronic parts and components manufacturing industry and the wholesale and retail industry. As for outbound FDI, in addition to investment in the financial and insurance industries, major sectors receiving outbound investment from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu also included the basic metal manufacturing industry and the wholesale and retail trade industry.

2.10. In terms of the geographic source and destination of investments, more than 57.4% of inbound FDI to the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu originated from the British Overseas Territories in the Caribbean, followed by the United States, Japan, Hong Kong and the Netherlands, while around 82.4% of outbound investment went to China, followed by Viet Nam, the United States, Hong Kong and the British Overseas Territories in the Caribbean.

2.11. Investment statistics for the period under review indicate that the amount of outbound FDI in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu was around 2.7 times higher than that dedicated to inbound FDI (Table 4). Furthermore, while inbound FDI increased on a year-by-year basis (with the exception of 2013), it was nonetheless still well below the level achieved before the 2008 financial crisis. This fact underlines the importance of the government continuing to take action to improve the investment environment. Many policy initiatives have been introduced in recent years (see Part 3) that aim to enhance the economy's investor-friendliness and thus attract greater flows of foreign investment.

Table 4: International Investment Statistics, 2009-2013

(Unit: US\$ million, % of change from previous year)

Year	2009	2010	2011	2012	2013
Outbound FDI	10,148.15 (-33.05%)	15,053.60 (66.08%)	16,797.70 (11.59%)	19,023.05 (13.25%)	14,422.36 (-30.96%)
Inbound FDI	4,835.38 (-41.30%)	3,905.91 (-19.22%)	4,999.17 (27.99%)	5,887.05 (17.76%)	5,282.93 (-10.32%)

Source: The Investment Commission, MOEA.

3 DOMESTIC POLICY ENVIRONMENT AND REFORMS

3.1 Macroeconomic policy

3.1. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's macroeconomic policy aims to create an efficient, liberalized, and internationally competitive market economy. The government aims to diversify the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's exports to emerging markets in an effort to create new opportunities for businesses. In addition to its participation in the WTO and related liberalization negotiations, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu also continues to enhance bilateral economic and trade relations through seeking engagement in various regional integration processes. At the same time, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu continues to enhance trade and investment relationships with major trading partners, in particular China, the U.S., Japan and other APEC Economies through bilateral and regional liberalization initiatives.

3.2. These policy developments are consistent with the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's 4-Year National Development Plan (2013-2016) that is currently being implemented, and includes trade expansion and investment promotion as two of its major economic development goals. The government also launched the Economic Power-up Plan in 2012, which aims to improve the industrial infrastructure and more efficiently capture the driving forces of economic growth in order to create a heightened capacity for responding to changing economic conditions. The development of new export markets to expand exports and efforts to spur investment in public construction projects are the primary pillars of the Economic Power-up Plan.

3.2 Institutional reform

3.3. Facing the pressure of global competition and other challenges, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is determined to reinforce its governance capacity and make administrative and operational procedures more effective and efficient. In 2010, with the passage of amendments to the Basic Code Governing Central Administrative Agencies Organizations and other relevant legislation, the government initiated major reforms in governmental structure to streamline and re-structure the functions and distribution of personnel resources across all governmental departments and agencies.

3.4. According to the new governmental structure, starting in 2012, the number of ministries and commissions are being gradually reduced from 37 to 29, and a ceiling will be applied on the total number of central government civil servants. As part of the reform process, the functions of different ministries and commissions, as well as nearly 700 other agencies under the Executive Yuan, are being reassessed. While consolidation will occur between some of these offices, new ministries or commissions may also be created to meet emerging demands. Along with this overall streamlining, government human resources will also be placed under closer supervision.

3.5. To increase participation by industries and academia in the formulation of trade policies, the Consultative Committee of Industrial and Academic Sectors (CCIAS) was established in 2012 under the Committee of Global Economic and Trade Policy Strategy. This move was intended to facilitate dialogue between the government and relevant stakeholders. The CCIAS's meetings take place regularly every six months. The Vice Premier and an industrial leader nominated by Committee members jointly chair the proceedings.

3.3 Industrial development policy and reform

3.6. The major reform regarding industrial development policy that took place during this review period in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu was the expiry of the Statute for Upgrading Industries (SUI) at the end of 2009, and the introduction of the Statute for Industrial Innovation (SII) in 2010 as its successor.

3.7. The SII includes the following provisions: the encouragement for engaging in innovations; provisions for the distribution and utilization of intangible assets; human resource development for industries; funding assistance; investment in the sustainable development of industries; and provisions on land supply, among others. One of the critical changes in the SII compared to the now-abolished SUI was amending the use of tax incentives. Contrary to the SUI that included a wide range of tax incentive schemes, the only tax incentive remaining under the SII to encourage innovation is the 15% tax credit against the payable business income tax for expenditures on research and development, provided that the tax credit does not exceed 30% of the business income tax payable in that year. The tax incentive is time-limited, with a sunset clause of December 31, 2019.

3.8. The SII also focuses on green policies. It requires competent authorities to assist enterprises in developing and adopting green initiatives, including measures to reduce greenhouse gas emissions and adopt pollution control technologies, among others. The SII also encourages green procurement by government departments and agencies. Other key areas identified by the SII for development facilitation include innovations, branding, industrial-academic cooperation and the establishment of R&D centers.

3.9. In addition to the SII, two major industrial development initiatives were introduced in 2012. The first was the Implementation Plan of the Four Transformations of the Three Industries. The objectives of the Implementation Plan are to accelerate the industrial transformation process and provide the next wave of growth stimulation for the economy by fostering a “service-oriented” manufacturing industry, a “high-tech” services industry, an “internationalized” services industry and a “specialty-oriented” traditional industry. The second initiative enacted was the Innovation and Restoration Program for Traditional Industries. This policy program intends to foster the development of non-high-tech traditional industries by infusing new information and communications technologies, cultural and creative elements and refined business models.

3.4 Tax reform

3.10. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu provides an investment environment with low taxation. The ratio of government tax revenues to GDP is less than 13%, lower than most other economies in the Asia-Pacific region. In 2010, as part of the package of policies to achieve overall adjustment in response to the expiry of the SUI (and thus the removal of most tax incentives), the government reduced the income tax rate for profit-seeking enterprises from 25% to 17% so as to relieve the tax burden on enterprises and enhance the international competitiveness of the investment environment. As a result, the rate is equal to those in Singapore and Hong Kong, China, both of which maintain among the lowest rates of income tax for businesses in the Asia-Pacific region.

3.11. Furthermore, in order to address the rising property prices for real estate and the negative impact of tax burden inequality for high-income groups, the government introduced the Specifically Selected Goods and Services Tax Act in 2011. Under this Act, a sales tax of 10% or 15% will be levied on specifically selected goods and services with limited exceptions, such as in the case of short-term transactions of non-self use residential property that has been held for a period of no more than 2 years, or the sale, manufacture or importation of high-priced passenger cars, yachts, airplanes, furniture, and the sale of membership rights.

3.5 Competition policy reform

3.12. As a means of promoting greater and fair competition in the market place, facilitating economic efficiency, and ensuring consumer welfare, the implementation of a well-balanced competition policy has always been at the center of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's economic policy agenda. To ensure that the competition policy and

competition law are up-to-date and reflect market developments, the Fair Trade Act was amended in 2011 to increase the effectiveness of the enforcement mechanism.

3.13. The amended Fair Trade Act came into effect on November 25, 2011. One feature of the revised Act was the introduction of a leniency program to address the difficulties in obtaining substantive evidence in cases of concerted actions. Under this leniency program, a party to a concerted action may be granted a reduction in or exemption from penalties (i.e. leniency) if it reports the concerted action to the competent authority (i.e. Fair Trade Commission). Another feature of the revised Act was an increase in the maximum amount of penalties that may be imposed for abuse of dominant market positions and concerted actions from the previous cap of NT\$25 million to 10% of total sales revenues of the enterprise in question in the previous fiscal year.

3.6 Intellectual property rights (IPR) policy and reform

3.14. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has developed into a global IPR powerhouse: The number of U.S. patents granted to applicants from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, for instance, has grown from 6,642 in 2009 to 11,071 in 2013, among the top five originating jurisdictions in the world. The government therefore attaches great importance to the enhancement of intellectual property rights protection. To this end, the Copyright Act, the Copyright Intermediary Organization Act (now the Copyright Collective Management Organization Act), the Patent Act, the Trademark Act, and the Trade Secrets Act all underwent major revision during the review period, with the result of modernizing the IPR protection regime.

Amendments to the Copyright Act and Copyright Intermediary Organization Act

3.15. Major amendments since 2010 include the exemption from criminal liability for rebroadcasting in business places and the broadcasting or simultaneous transmission of copyrighted works which were reproduced under authorization in an advertisement. Furthermore, the name of the "Copyright Intermediary Organization" was changed to "Copyright Collective Management Organization (CMO)" with new systems for the joint royalty rate and "one-stop shop" introduced to streamline the licensing process. Under the new systems, CMOs are obliged to set up a "joint royalty rate" in specified types of exploitation designated by the competent authority, and CMOs should jointly appoint one CMO (the one-stop shop) for collecting the royalty. In addition, the royalty rate review system was also changed such that the ex-ante review mechanism was removed and replaced by an ex post review in circumstances where a dispute arises between the parties concerned. Under the new system, users can make interim payments for lawful use of works managed by CMOs while the competent authority reviews the rate.

Amendments to the Patent Act

3.16. The Patent Act in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu underwent a major and comprehensive amendment in 2011, with the revised Act coming into force in January 2013. The 2011 revision included the following major aspects. First, an applicant who discloses an invention in printed publications on his/her own accord may claim a grace period. Second, the "reinstatement of rights" mechanism was introduced. More flexibility was also introduced in the substantive examination procedures. In addition, the scope of protection for design patents was expanded to include partial designs, computer-generated icons and graphical user interfaces (icons & GUIs), sets of articles and derivative designs. New rules relating to remedies for infringement were also introduced. Finally, while there has been no compulsory licensing case since the last review, the grounds for compulsory licensing under the Patent Act were modified in 2011.

Amendments to the Trademark Act

3.17. The Trademark Act was amended and promulgated on June 29, 2011, and entered into force on July 1, 2012. In the amended Trademark Act, the scope of objects protectable as trademarks was broadened to include any sign with distinctiveness. Thus, a sign incorporating motion or a hologram can now be registered as a trademark. The amended Trademark Act also provides definitions for different types and acts of trademark use, including acts performed by

digital audio-visual means, through electronic media, on the Internet, or through other media in order to adapt to the economic development of e-commerce and the Internet.

3.18. Border protection was also reinforced by providing a legal basis for Customs authorities to take ex officio actions in detaining goods suspected of trademark infringement. In addition, Customs may allow the inspection of detained goods upon request by the proprietor of a trademark or importer/exporter. Without prejudice to the protection of confidential information of the detained goods, Customs may disclose infringement information upon request of the proprietor of a trademark. In addition, customs may allow the proprietor of a trademark to take samples from the goods suspected of infringement, along with a security for identification.

Amendments to the Trade Secrets Act

3.19. The Trade Secret Act was amended in 2013. The main elements of this latest amendment were the introduction of criminal liability for infringement and the increase of penalties for infringing a trade secret abroad. Provisions regarding the requirements for prosecution and criminal liability for juristic persons were also added.

4 TRADE AND INVESTMENT POLICY DEVELOPMENTS

4.1 Trade and investment policy

4.1. Trade and investment are of critical importance to the economic well-being of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. As the 18th largest trading economy in the world, trade accounts for an average of 70% of the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's GDP. Similarly, foreign investment also plays an important role in economic development. The performance of trade and investment has a direct impact on our overall economic development and performance.

4.2. In addition to our participation in the WTO, trade and investment policy in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu focuses on trade and investment promotion, continued liberalization and active participation in regional economic integration. Specifically, in the 4-Year National Development Plan (2013-2016) currently being implemented by the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, active participation in regional economic integration, expansion of export markets, and promotion of investment have all been identified as the major priority areas for national development.

4.3. In 2012, the government completed the FTA/ECA Roadmap to provide policy guidelines for the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's engagement in regional economic integration. The Roadmap explicitly sets out the policy objective that 60% of total trade should be covered by ECAs by the year 2020. Guided by this Roadmap, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is pursuing participation in the Asia-Pacific regional integration process through ongoing bilateral and regional cooperation with trading partners.

4.4. The government is also taking concrete steps to create a friendly investment environment and assist foreign businesses in their efforts to invest. One such step, the "InvesTaiwan Service Center" (ITSC), was established in 2010 to provide customized one-stop solutions to potential foreign direct investors considering doing business in the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu. Services offered by the ITSC include evaluation of investment projects, legal and accounting consultations, identification of potential locations for factory and/or office sites, facilitation of related administration processes, as well as the coordination with various governmental agencies to overcome obstacles encountered.

4.2 Participation in the WTO

4.5. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu attaches great importance to the multilateral trading system embodied by the WTO. We hope that the functions of the system can be further improved in the future to provide an adequate response to emerging challenges in the international trading system.

4.6. Since joining the WTO, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has committed to participate actively in the WTO on all fronts, including the regular work of committees/councils, the DDA and other related negotiations, as well as other liberalization activities, with the goal of fulfilling our obligation as a Member and contributing to the development and enhancement of the multilateral trading system.

4.7. In addition to faithfully implementing our obligations under the WTO agreements, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has also engaged actively in all efforts aimed at renewing the DDA negotiations, notably in negotiations that produced the Bali Package as adopted at the Ninth WTO Ministerial Conference (MC9) in Bali, Indonesia. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu well understands the importance of Trade and Development as well as Aid for Trade in facilitating the integration of developing members into the world trading system, and has therefore contributed to both the Doha Development Agenda Global Trust Fund (DDAGTF) and Standards and Trade Development Facility (STDF) during the review period.

4.8. Since global trade plays such an important role in the development of our economy, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has been working to create a trade-facilitating environment for more than a decade. Among other things, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has actively engaged in trade facilitation negotiations by submitting and co-sponsoring a number of proposals on specific topics, such as institutional arrangements and risk management. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu welcomes the conclusion of the Agreement on Trade Facilitation at the MC9 and will implement the agreement faithfully. In addition, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has always welcomed opportunities to provide necessary technical assistance to fellow developing country members by sharing its experience in the modernization of customs procedures. One good example is that the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, under the invitation by the WTO Secretariat, has provided experts to facilitate needs assessment programmes for developing country members in the area of trade facilitation.

4.9. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is a net food importing member with a vulnerable agriculture sector and food security concerns. For this reason, agriculture has always been one of the most challenging areas for the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's participation in the international trading system. As a member of the G-10, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu considers that there is no "one size fits all" approach to the liberalization of agriculture trade, and that the multi-functional nature of the agriculture sector, and the non-trade concerns mentioned in the Agreement on Agriculture, should be given full consideration. In view of our domestic agricultural needs, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu supports the flexibilities being extended to net food importing members in the three pillars of the DDA agriculture negotiations.

4.10. In accordance with the WTO Hong Kong Ministerial Declaration of 2005, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu grants duty-free access to items of LDC origin. The preference scheme covers nearly 98% of the total value of all products imported into the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu's market from LDCs. Regarding covered tariff lines, nearly 32% of LDC products are eligible to receive preferential treatment.

4.11. As one of the world leaders in ICT trade, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu fully agrees that the expansion of the Information Technology Agreement (ITA) will bring benefits to all WTO members and their citizens by further removing barriers that are hindering the flow of ICT products across the globe. The modernization of the agreement is especially acute given that advancements in digital technologies and convergence of products and functions are quickly making the current ITA incapable of properly responding in ways that will propel the rapid development of the global information technology (IT) industry. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has been a pro-active participant of the ITA expansion negotiations since mid-2012. We hopes these negotiations can reach a commercially significant and balanced conclusion as soon as possible.

4.12. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu joined the WTO Agreement on Government Procurement (GPA) in 2009. Subsequently, we participated actively and constructively in the re-negotiation of the GPA, which aimed to resolve gaps or close loopholes in the original agreement concluded in 1994. The revised GPA offer provides broader market access coverage for 400-500 additional procuring entities, amounting to US\$80-100 billion annually. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu deposited its instrument of acceptance in November 2013. The revised GPA came into force on April 6, 2014, when two-thirds of the Contracting Parties, including the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, had completed the ratification process. The government believes that the revised GPA has succeeded in bringing about a greater understanding of the role of good governance in promoting the effective management of public resources. We further agree that this is an essential element in ensuring transparency in the public procurement process.

4.13. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu attaches great importance to the services sector not only for the economic value of the services provided, but also for the role the sector increasingly plays in regional and global supply chains. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has been actively participating in the plurilateral Trade in Services Agreement (TiSA) negotiations with the aim of further liberalizing global trade in services and establishing trade rules that are in sync with advances in technology and developments in the services industry. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu believes that the success of the TiSA negotiations is important not only for enhancing the further liberalization of trade in services, but also for the role the sector will play in driving liberalization in other plurilateral or multilateral negotiations and ultimately strengthening the multilateral trading system.

4.14. In order to join the collective efforts to promote global trade in environmental goods, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu worked with 13 other WTO members in issuing a joint statement in Davos, Switzerland on January 24, 2014, announcing the joint intent to launch negotiations aimed at pursuing further liberalization for trade in environmental goods in the WTO. Based on the APEC initiative, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu would like to work with like-minded WTO members to explore for tariff liberalization a broader range of additional products that can also directly and positively contribute to green growth and sustainable development.

4.15. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, having concluded its accession to the WTO in 2002, is the current coordinator of the Group of Recently Acceded Members (the RAMs Group). The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has worked closely with the members of the RAMs Group to promote an early conclusion to a final and comprehensive DDA package. The RAMs Group has circulated joint statements/communiqués as contributions to the work of MC7, MC8 and MC9.

4.16. During the review period, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu was the complainant in one dispute settlement case (DS337) -- against the European Union regarding implementation of the ITA Agreement. In addition, we also joined 16 other dispute settlement cases as a third party.

4.3 Unilateral liberalization

4.17. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu has continued to make efforts to facilitate a more open and liberal trade and investment environment to enable our agricultural, manufacturing and services sectors to address new challenges. The government is also determined to undertake regulatory reforms to reduce unnecessary competitive hurdles by aligning with international best practices, thus laying the groundwork to prepare for joining regional economic integration efforts in the near future.

4.18. For the period under review, the focus of unilateral liberalization efforts has been centered on the establishment of "Free Economic Pilot Zones" (FEPZs). Initiated in 2013, this project involves substantial relaxation of market access and other trade-related regulations in certain designated pilot zones, along with promoting certain high-end services such as smart logistics, international health care, value-added agriculture, financial services, and education innovation as focal industries in the zones during the project's initial phase. Deregulation measures for FEPZs in

the initial phase include the relaxation of limitations on work by foreign professionals and alleviation of temporary stay regulations, the easing of customs regulations on outsourcing activities by enterprises located inside the FEPZs to partners outside the FEPZs, and greater flexibility of land use within FEPZs. This project is also expected to create conditions that will facilitate the government's preparations for participating in regional economic integrations such as the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP).

4.19. In August 2013, the FEPZs kicked off the first implementation phase, with priorities given to the following industries:

- Smart logistics: To promote the faster and freer flow of goods and increase the value-added to goods by making available top logistics services, enabled by innovative customs administration and information clouds.
- International health care: To provide foreign patients with health checks, cosmetic medicine and serious illness treatments, while promoting alliances with other industries, such as tourism.
- Value-added agriculture: To develop agriculture by utilizing agricultural technology, innovating for higher value, extending the whole value chain, and marketing the MIT ("Made in Taiwan") brand.
- Financial services: To allow the operation of financial institutions benefiting from reforms in financial regulations. The contemplated changes are expected to open the door to financial products and services that will help develop our wealth and asset management services under ratings-based and differentiated management.
- Education innovation: To encourage cooperation between domestic and prestigious overseas universities in setting up university branch campuses or departments, independent colleges, degree programs and professional courses.

4.20. The second phase of the FEPZ project, planned for implementation after the Special Act is ratified, involves deregulation and regulatory reform initiatives that would promote freer movements of personnel, goods and capital. Measures taken in the second phase would provide an even more liberalized business environment and conditions for operations.

4.21. For the period under review, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu introduced several major reforms regarding liberalization of our investment regime. The Negative List for Investment by Foreign Nationals was amended in the years 2010, 2012 and 2013. These amendments deregulated a considerable amount of previous limitations or restrictions imposed on foreign investors. In addition, to facilitate the FDI application process, draft amendments to The Statute for Investment by Foreign Nationals were offered in 2012 and remain under legislative consideration. After these amendments take effect, most foreign investors will only need to notify the Investment Commission when they implement the investment, instead of filing an application to obtain approval in advance. However, official approval before investment is still required under some exceptional circumstances. It is expected that around 80% of FDI projects will benefit from this new policy.

4.4 Bilateral trade agreements

ECAs concluded/signed

4.22. Four bilateral free trade agreements (FTAs) with five WTO members, namely Panama, Guatemala, Nicaragua, El Salvador and Honduras, came into force before this current review period, and bilateral trade between the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu and these FTA partners has since increased significantly during the review period. Taking the last three FTAs as the example, bilateral trade with Nicaragua, El Salvador and Honduras has increased 132.2%, 124.7% and 62.5 %, respectively, from 2007/2008 to 2013.

4.23. During the period under review, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu concluded the Economic Cooperation Framework Agreement (ECFA) with China in 2010.

The text of the agreement includes built-in mandates for follow-up negotiations on agreements on Trade in Goods, Trade in Services, Investment Protection and Promotion, and Dispute Settlement. As of June 2013, 2 of these 4 follow-up agreements were completed; the Cross-Strait Bilateral Investment Protection and Promotion Agreement was signed on Aug. 9, 2012, and entered into force in Feb. 2013, while the Trade in Services Agreement was signed in June 2013 and is currently pending legislative consideration.

4.24. The Economic Cooperation Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu (ANZTEC) was concluded and signed on July 10, 2013, and came into effect on December 1, 2013. The Agreement includes a total of 25 chapters covering market access, regulatory harmonization, cooperation activities, institutional provisions and dispute settlement. Under the Agreement, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is committed to removing tariffs on 99.88% of goods, while New Zealand is to eliminate tariffs on all goods originating from the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu.

4.25. In addition, the “Agreement between Singapore and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Partnership” (ASTEPA) was signed on November 7, 2013, and entered into force on April 19, 2014. It is a comprehensive and high-quality agreement with a total of 17 chapters, covering trade in goods, trade in services, investment, dispute settlement, e-commerce, government procurement and customs procedures. As for tariff elimination, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu will liberalize 99.48% of its tariff lines, while Singapore will liberalize 100% of its tariff lines.

Other trade-related agreements

4.26. During the period under review, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu actively pursued other trade-related agreements such as bilateral investment agreements and mutual recognition agreements to facilitate trade by streamlining conformity assessment procedures with trading partners on a wide range of products, including electric and electronic related products, among others.

4.27. During the period under review, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu signed several trade-related agreements with Japan. A bilateral investment arrangement was signed in September 2011 and entered into force in January 2012. The agreement covers investment protection measures as well as commitments for investment liberalization on a negative list basis. A mutual recognition agreement on certification of electronics and electrical products was inked in November 2012 and went into effect in July 2013. Furthermore, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu and Japan also signed a pact on cooperation in electronic commerce in November 2013, and which entered into force in January 2014.

4.28. The Trade and Investment Framework Agreement (TIFA) Council meeting between the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu and the U.S. is the official platform for trade policy dialogue between the two parties, which has served to strengthen and advance bilateral economic relations. The eighth TIFA Council meeting was held on April 4, 2014, covering issues such as agriculture, regional and multilateral trade initiatives, and cooperation, investment, pharmaceuticals and medical devices, intellectual property rights, and technical barriers to trade.

5 FUTURE OUTLOOK

5.1. Despite the fact that efforts to revive the Doha negotiations still face many challenges ahead, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu understands the crucial value of liberalization as an engine for economic development, and will thus continue to provide full support for the multilateral trading system. In particular, as the world becomes increasingly interconnected, refinements and updates of global trade rules are as important as the removal of traditional market access barriers, and this broad perspective was exactly one of the motivating factors for launching the original DDA negotiations in 2001. The Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu stands ready to engage with other WTO members on

developing a meaningful post-Bali work programme dedicated to achieving a successful and balanced conclusion for the DDA negotiations.

5.2. In the interim, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu hopes that progress on the ITA expansion negotiations, the TiSA negotiations as well as the negotiations on environmental goods will contribute to the value and function of the world trading system and provide impetus for the conclusion of the DDA.

5.3. Also as an interim step to achieving a meaningful outcome to the DDA negotiations, and in line with our overall liberalization policy, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu will pursue opportunities to participate in regional and/or economic integration, especially in major region-wide liberalization initiatives such as the TPP and the RCEP. The government believes that bilateral and regional trade agreements can complement, reinforce and eventually create new disciplines for adoption as part of the multilateral trading system. Integrating our economy with other regional and/or economic integration initiatives will help to facilitate improvements in our domestic industrial structure and promote our international competitiveness.

5.4. Finally, the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu is committed to unilaterally reviewing our domestic trade and investment regimes on a timely basis and carrying out reforms that reduce and streamline regulatory regimes for business. We are also committed to adopting international best practices where possible. We believe that our doing so will not only improve the efficiency of our economy, but also contribute in important ways to bringing about a freer and more dynamic global trade environment.
